

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY OTTAWA IMMEDIATE

C O N F I D E N T I A L STATE 164826

EXDIS

E.O. 11652: GDS

TAGS: EAGR, CA, UR

SUBJECT: GRAIN SITUATION AND POSSIBLE SOVIET PURCHASES

1. AS YOU ARE AWARE, REPORTS OF DETERIORATING SOVIET GRAIN PRODUCTION OUTLOOK AND RUMORS OF POTENTIALLY LARGE SOVIET PURCHASES FROM US AND CANADA HAVE REVIVED MEMORY OF CONSEQUENCES OF 1972 SALES AND ARE BECOMING MATTER OF GENERAL CONCERN.

2. ON JULY 9, USDA ANNOUNCED REVISION IN ITS ESTIMATE OF TOTAL USSR GRAIN PRODUCTION FOR 1975 CROP TO 195 MILLION METRIC TONS, DOWN FROM PRE-SEASON ESTIMATE OF 210 AND JUNE 9 ESTIMATE OF 200 MILLION TONS. ENTIRE REDUCTION IN JULY 9 ESTIMATE IS IN WHEAT PRODUCTION, NOW PUT AT 90 MILLION TONS, WHILE OTHER GRAINS REMAIN AT 105 MILLION TONS. HARVEST OF 195 MILLION TONS WOULD BE APPROXIMATELY SAME AS IN 1974 BUT WELL BELOW 215.7 MILLION TON SOVIET PLAN TARGET FOR 1975. BARRING CHANGE IN FEEDING PLANS
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FOR ANIMALS, 195 MILLION TON OUTTURN WOULD BE ABOUT 15

MILLION TONS BELOW SOVIET DOMESTIC UTILIZATION REQUIREMENTS FOR 1975/76 CROP YEAR. RESERVE STOCKS, FOR WHICH ESTIMATES VARY WIDELY, MIGHT MEET SOME OF THIS SHORTFALL.

3. ALL THAT CAN BE ADDED AT THIS TIME IS THAT SITUATION IS UNCLEAR, BUT IT IS APPARENT SOVIET CROP OUTLOOK HAS DETERIORATED DUE TO DRY CONDITIONS AND THAT CROP IS VULNERABLE TO FURTHER LOSS.

4. ON JULY 10, USDA OFFICIALS, IN REPLYING TO PRESS INQUIRIES, SAID SOVIETS HAVE BEEN DISCUSSING WITH GRAIN COMPANIES PURCHASES OF UP TO 10 MILLION TONS OF US WHEAT AND CORN. USDA HAS CONFIRMED TO DEPARTMENT THAT THESE DISCUSSIONS WITH NUMBER OF COMPANIES ARE CONTINUING IN MOSCOW BUT THAT NO CONTRACTS HAVE BEEN CONCLUDED AS YET. IN LIGHT OF EXCELLENT US PROSPECTS FOR RECORD WHEAT AND CORN PRODUCTION, WE HAVE AN OBVIOUSLY LARGE TOTAL EXPORT CAPACITY. BUT A SIGNIFICANT FURTHER DETERIORATION OF THE SOVIET CROP COULD BE UNSETTLING TO THE MARKET.

5. FOR PAST SEVERAL WEEKS, THERE HAVE BEEN RECURRENT UNCONFIRMED REPORTS OF CANADIAN SALES TO USSR OF 2.5 MILLION TONS OF WHEAT AND 1 MILLION TONS BARLEY. IN VIEW OF PRESENT UNCERTAINTIES, IT WOULD BE VERY HELPFUL TO HAVE AUTHORITATIVE INFORMATION FROM GOC ON THESE REPORTS, INCLUDING SIZE OF RECENT SALES, WHETHER WHEAT IS OLD (1974) OR NEW (1975) CROP, AND GRADES INVOLVED (I.E., WHETHER WHEAT IS UTILITY GRADE FOR AMAL FEED).

6. REQUEST YOU APPROACH GOC AT MINISTERIAL LEVEL (SUGGEST OTTO LANG WHO HAS RESPONSIBILITY FOR WHEAT BOARD) TO OUTLINE SOVIET PURCHASE SITUATION AS WE NOW SEE IT BY DRAWING ON ABOVE AND SEEK GOC CONFIRMATION OF RUMORED CANADIAN SALES. FURTHER, YOU SHOULD EXPLAIN TO GOC THAT, IN PRESENT UNCERTAIN AND POTENTIALLY VOLATILE SITUATION, WE BELIEVE BILATERAL CONSULTATION ABOUT WORLD GRAIN PRODUCTION OUTLOOK, EXPORT AVAILABILITIES AND DEMAND WOULD BE USEFUL. WE WOULD BE PREPARED TO HAVE SUCH CONSULTATIONS AT AN EARLY DATE AND YOU SHOULD SEEK GOC AGREEMENT TO CONSULTATIONS.

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7. WOULD APPRECIATE REPORT SOONEST. ROBINSON

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